

**COMMENTS OF DIRECT ENERGY SERVICES, LLC ON HOUSE BILL 5818,
AN ACT CONCERNING THE SUMMER SAVER REWARDS PROGRAM**

ENERGY AND TECHNOLOGY COMMITTEE

March 7, 2008

Direct Energy Services, LLC ("Direct Energy"), a licensed competitive supplier of electricity and natural gas in Connecticut, is pleased to provide these comments in support of HB 5818, An Act Concerning the Summer Saver Rewards Program. While we support the bill as a whole, we particularly support the concepts set forth in Section 2, which would take an interesting and innovative approach to reducing Connecticut's peak demand this summer. Peak demand, especially during the high usage summer months, is one of the primary drivers of electricity prices here in Connecticut.

HB 5818 would give residential customers a method to reduce their peak demand in a way that provides them with a real benefit in exchange for changes in behavior. Research into smart grid technologies and real-time pricing has shown that residential customers will respond to price if given the proper incentive. Direct Energy believes that a period of free night usage combined with an on-peak price that more closely reflects the true cost of producing electricity to meet that peak demand would induce residential customers to shift consumption from on-peak to off-peak periods. The "free nights" concept adds several important elements to the traditional time-of-use rate structure. First, the success of such time-of-use pricing is directly related to the difference between the on-peak and off-peak pricing. Setting the price for certain night-time hours to zero is a good starting point to achieve a sufficient difference to induce changes in customer behavior. Second, it is not always easy to attract customers to time-of-use rates, even if doing so would be economically beneficial to them. "Free nights" is a concept that will attract customer attention in a way that other time of use programs have not.

Finally, this program, which relies on the implementation of advanced metering, would be an important intermediate step to the next level of customer-side innovation, namely those

products and services that would make use of real-time price response and management of customer loads by suppliers. Once a customer has an advanced meter and becomes familiar with the concept that there are wide variations among the prices of electricity at different times during the day, they will be more receptive to product offerings that capitalize even further on real-time pricing information to allow those customers to lower their own costs while helping to lower costs for everyone on the system.

Thank you for the opportunity to provide these comments.

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